

ADS Chapter 603 – Forward Funding, Non-Program Funds
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FAR 32 703-3(b)

Functional Series 600: Budget and Finance
ADS Chapter 603 – Forward Funding, Non-Program Funds

603.1 Authority

1. FAR 32.703 "Contract funding requirements"
2. 31 U.S.C. Sec. 1502 (a) "Bona fide needs rule"

603.2 Objective

To provide guidance to organizations on forward funding guidelines applicable to the appropriations for Operating Expenses (OE), Operating Expenses of the Office of the Inspector General (IG OE), and Credit Administrative Expense (AE) accounts. The policies in this Chapter will also apply to program funds authorized to be used for OE purposes unless a waiver is requested from and approved by M/B. **(See ADS 602 for guidance for program funds.)**

603.3 Responsibility

Obligating Officials and Obligation Managers are responsible for ensuring that funding decisions by operating units comply with the policy procedures in this chapter.

603.4 Definitions **(See Glossary)**

Continuing Resolution (CR)
Forward funding
Obligating Official
Obligation Manager
Severable/non-severable
Personal Service Contracts (PSCs)

603.5 POLICY

The statements contained within the .5 sections of this ADS chapter are the official Agency policies and corresponding essential procedures.

603.5.1 CATEGORIES OF COSTS

The policies in 603.5.1a through 603.5.1l address the most common types of costs funded using OE, IG OE, and AE accounts. Policies are provided for each cost category.

603.5.1a SALARIES AND BENEFITS OF DIRECT HIRE PERSONNEL

Current year funds must be used to cover actual/accrued obligations for direct hire personnel (whether U.S. or Foreign Service National (FSN)) for the period from October 1st through September 30th. No forward funding is permitted.

603.5.1b SERVICE CONTRACTS

1) SERVICE CONTRACTS (SEVERABLE):

a. PERIOD OF PERFORMANCE IS 12 MONTHS OR LESS: Costs may be fully funded at the time the contract is signed, even if the 12 month period extends beyond the end of the current fiscal year. FAR 32.703-3(b) provides the authority to enter into a contract, exercise an option, or place an order under a contract for procurement of severable services for a period that begins in one fiscal year and ends in the next fiscal period if the period of the contract, option, or order does not exceed one year. Funds made available for a fiscal year may be obligated for the total amount of an action entered into under this authority. **(See Mandatory Reference FAR 32.703-3(b))**

b. PERIOD OF PERFORMANCE IS MORE THAN 12 MONTHS: Funds may be obligated for only those services to be provided for the current fiscal year. Funds may be included to cover costs for termination for convenience if the contract may need to be terminated at the end of the current fiscal year; such funds may not be used to extend performance beyond October 31.

2) SERVICE CONTRACTS (NON-SEVERABLE): Costs may be fully funded at the time the contract is signed, regardless of the period of performance.

3) SERVICE CONTRACTS (PART SEVERABLE/PART NON-SEVERABLE): The severable portion follows the rules under paragraph 1) above. The non-severable portion follows the rules under paragraph 2) above.

603.5.1c PERSONAL SERVICE CONTRACTS (PSCs) – BOTH U.S. AND FSN

1) PERIOD OF PERFORMANCE IS 12 MONTHS OR LESS: The full cost of the contract may be obligated at the time the contract is signed **(See Mandatory Reference FAR section 32.703-3(b))**, even if the 12 month period extends beyond the end of the current fiscal year. If the contract is extended and the extension results in services for more than 12 months, use guidelines under paragraph 2) below.

2) PERIOD OF PERFORMANCE IS MORE THAN 12 MONTHS: Severable costs funded under the contract, such as salaries and benefits, may be obligated only for the period through September 30th plus an additional number of days to provide for the time required before a Personal Services Contract (PSC) can be terminated for the convenience of the government. For U.S. PSCs funds may be obligated for an additional 15 days. For FSN PSCs funds may be obligated for the number of days required for termination notice under the local compensation plan, not to exceed 30 days. Non-severable costs under the contract, such as assignment to post and repatriation costs, must be fully obligated at the time the contract is signed.

603.5.1d INVOLUNTARY SEPARATION PAYMENTS

Advance obligation beyond the end of the fiscal year is not permitted.

1) U.S. DIRECT HIRE PERSONNEL: Record obligations at the time payment is made – advance funding is not permitted. This generally means that obligations will occur at specific times – often into the next fiscal year using funds from the new fiscal year, as Civil Service Severance payments are made on a periodic basis over a period of time.

2) FSN DIRECT HIRE PERSONNEL: If payments are made over a period of time, the guidelines under paragraph a) above must be followed. If payment is made in a lump sum, record the obligation when the employee is formally given his or her notice of separation.

603.5.1e VOLUNTARY FSN SEPARATION PAYMENTS

Advance obligation beyond the end of the fiscal year is not permitted. Each year, missions having such requirements must obligate funds required to cover cumulative accrued liability through the end of that fiscal year for voluntary separation deposits into the U.S. Treasury account. This means that each year the mission must re-compute the amount that would be due FSN personnel were they to be voluntarily separated by the end of the current fiscal year. This amount is based on pay raises during the current year, additional period added to length of service, and any other factors which apply and obligate current year funds for deposit in the Treasury account to cover the additional amount which would be due.

603.5.1f TRAVEL

1) POST ASSIGNMENT TRAVEL: Obligate the full cost of travel and transportation (including transportation of things) using funds current in the year in which initial costs (such as packing household effects (HHE) and/or airfreight) are to be incurred.

2) RETIREMENT TRAVEL: Obligate the estimated cost of retirement travel for Foreign Service (FS) personnel in the year in which costs are expected to be incurred or at the time the employee retires, whichever is earlier. As all foreign service officers are entitled to retirement travel, and have a specific period of time after retirement during which travel may begin (depending on whether retirement is from Washington or an overseas post), travel may actually begin in the following fiscal year. Retirement travel MUST be obligated at the time of each FS employee's retirement. If travel has not occurred within the prescribed period, the funds will be deobligated.

3) OPERATIONAL TRAVEL

a. DOMESTIC: Domestic travel refers to travel within the United States, all other travel is international for purposes of this section. Current year funds may be obligated ONLY if travel begins prior to midnight on September 30th.

b. INTERNATIONAL: Current year funds may be obligated as long as travel begins prior to midnight October 14th. Funds must be obligated prior to midnight September 30th and tickets must also be purchased prior to midnight September 30th. If travel does not begin by midnight October 14th the funds must be deobligated and a new Travel Authorization must be issued using funds for the new fiscal year.

603.5.1g RENTAL OF SPACE (OFFICE, RESIDENTIAL, OR OTHER)

Obligations may be made on a monthly, quarterly, or annual basis, depending on when payments are due. Obligations for periods beyond September 30th may be made only if the payment of rent for such periods is required on or before September 30th under the lease. For example, if rent is payable one year in advance, and the payment is due on September 29th, the obligation will be recorded for the full amount due for payment using current year funds.

For leases that have payments due in October, obligations may be recorded using current year funds sufficient to cover the period required for notice of lease termination. For example, if three months advance notice of termination is required, and the next lease payment is due in October, the mission may obligate current year funds to cover rental costs for October through December (the three month advance notice of termination).

603.5.1h SUPPLIES AND MATERIALS

Base orders for supplies and materials on normally anticipated usage plus a reasonable inventory level. It is not appropriate to use current year funds to purchase supplies to cover requirements beyond normal usage for the first one or two months of the following fiscal year, taking into consideration shipping time required to receive supplies and materials which have been ordered. For overseas posts where, due to transportation costs, it is deemed to be more cost efficient to purchase bulk supplies and materials to cover quarterly, semi-annual, or even annual requirements, current year funds may be used even though the supplies cover more than the normal one or two month usage requirement.

603.5.1i EQUIPMENT

Once a bona fide need has been determined, the full cost of the equipment, including packing and shipping charges, may be obligated even if delivery is anticipated to occur in the subsequent fiscal year. Organizations are advised to develop procurement plans, usually through the Executive Office at overseas posts, in order to document bona fide needs and to encourage best procurement practices.

603.5.1j UTILITIES, PHONES, AND OTHER RECURRING COSTS

Funds must be obligated to cover anticipated costs for the fiscal year. Funds may not be obligated to cover the anticipated costs of utilities beyond September 30th. Organizations have the discretion to record one obligation at the beginning of the fiscal year to cover anticipated cost, one obligation at the beginning of each quarter, or one obligation at the beginning of each month.

603.5.1k ACTIVITIES REQUIRING ADVANCE COMMITMENTS

Current year funds may be used to cover the cost of activities that will take place in the following fiscal year if there is a requirement to make a commitment by September 30th to ensure participation. For example, if a conference is being planned for early in the following fiscal year (October 30th for example) and the hotel requires a commitment by September 30th to reserve the facilities, it is permissible to obligate current year funds to cover the cost of the facilities. If, however, the commitment to reserve the facilities may be made on or after October 1st, current year funds may not be obligated to cover the requirement. Planning to attend a training activity is another example. If, to guarantee a place in the training activity, you must make a commitment by September 30th, you may use current year funds to cover the portion of the cost of the training for which the commitment is required, even if the training occurs after September 30th.

If travel is required to attend the training, obligations for the travel follow the rules provided in 603.5.1f.

603.5.1I EXCEPTION FOR FIELD MISSIONS

For payments due between October 1st and October 30th, field missions may record obligations in the current year if required in order to ensure checks required to make payment can be ordered and delivered by the payment due date. For example, if payment for leases or other mission costs are due between October 1st and October 30th, and the mission must order the check to make payment, funds may be obligated in September to ensure the check arrives in time to make the payment.

603.5.2 APPLICATION TO MULTI-YEAR AND NO-YEAR APPROPRIATIONS

While the policies in 603.5.1a through 603.5.1I speak in terms of a single fiscal year, they are also applicable to two-year or other multi-year appropriations as if the multi-year appropriation were a single fiscal year. For example, a severable contract may be funded for the entire two-year period under a two-year appropriation.

In the case of no-year funds, e.g., recoveries under section 511 of the appropriations act, the funds are available as a legal matter without regard to the bona fide needs rule. However, as a matter of Agency policy, the funds are to be used in the same way as the regular appropriation that would have otherwise funded the activity. For example, if the obligation would be otherwise OE-funded and the OE account is a one-year appropriation, the recoveries would be treated as one-year funds as a general rule. Requests for exceptions must be justified to the Bureau for Management, Office of Budget (M/B) by the requesting office as part of the regular budget process or otherwise. Approval from M/B must be granted before proceeding with the exception.

603.5.3 APPLICATION TO CONTINUING RESOLUTIONS (CR)

The policies in 603.5.1a through 603.5.1I also apply during a continuing resolution (CR). A CR is a temporary appropriation, pending enactment of a regular appropriation for the entire fiscal year(s). While obligations under a CR must be entered into during the CR period, a CR is available for the bona fide needs of the entire fiscal year or years. Therefore, a particular obligation may be funded for the entire fiscal year, or in the case of multi-year appropriations, for the fiscal years, not just the period of the CR. For example, under a 3-day CR for FY 2000 a severable PSC contract must be obligated during the 3-day period but may fund contract performance beyond the 3-day period, not to exceed the period specified in 603.5.1(c). The ability to incur such obligations, however, is subject to

the availability of funds provided to the operating unit for obligation for the period of the CR.

If there is a funding lapse (no appropriation and no CR), instructions on operations will be issued by the Management Bureau in coordination with GC.

603.6 Supplementary Reference - N/A

603.7 Mandatory Reference - N/A

[FAR 32 703-3\(b\)](#)

Continuing Resolution (CR)

A CR is an "appropriation" for the entire fiscal year(s), pending enactment of a regular appropriation, but subject to time limitations as to how long it remains in effect (Chapter 603)

Forward funding

Obligating, from current year funds, amounts to cover the cost of goods and/or services to be received/provided in a subsequent fiscal year. Rules for forward funding will vary somewhat depending on the good/services under consideration. See Chapter 602 for definition as it relates to program funds. (Chapter 603)

Obligating Official

USAID officials with the delegated authority to sign obligating documents. This includes the authority to negotiate, execute, amend, and administer agreements obligating USAID funds. (Chapter 603)

Obligation Manager

The individual responsible for managing a specific obligation. This may be the cognizant technical officer, activity manager, strategic objective team leader, executive office, or others. (Chapter 603)

Severable/non-severable

A contract that, if terminated, still provides a benefit from the amounts paid/obligated is considered to be severable. For example, an organization has a service contract to wash 1,000 windows during the next 6 months. If the contract is terminated after only 10 windows are washed, the organization has the benefit of 10 clean windows (and presumably would not have to pay for the windows that were not washed). This contract would be considered to be severable. If the contract is for a study, however, terminating the contract before the study is completed leaves nothing – so the contract would be considered to be non-severable. (Chapter 603)

Some contracts may be severable in part. For example, if you sign a contract with a company which covers the purchase of 20 LAN servers and maintenance of the servers for 18 months, the portion of the contract relating to the purchase would be considered to be non-severable while the portion relating to maintenance would be severable. (Chapter 603)

Personal Service Contracts (PSCs)

PSCs are, by their nature severable, as the contract is for the services of the individual, not an end-product, and the organization would have received a benefit from the services provided even if the contract were to be terminated early. (Chapter 603)

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